E. All Renewable Credit Proposal

Submitted by: The Sacramento Municipal Utility District

1. Interpretation of Commission's Goals and Rationale for Strategy

In crafting their decision, the Commission recommended that the following points be considered:

1. Increases the MRPR by 100% (to 21% of total supply) over other proposals: Counts existing hydro in the calculation of an Òappropriate and sustainable minimum level of renewablesÓ (roughly 21%). However, proposal includes only new hydro projects along with existing other renewables in definition of renewables eligible for funding. Other renewables account for only about 10% of current electric supply. Hence, the proposed MRPR standard becomes effectively twice the current electric supply level provided by renewables.

2. Creates both an MRPR and a renewables surcharge-type fund: Double funding mechanisms requires doubling the administrative oversight/review burden for the state.

3. Fails to define costs: See Item 1 in AWEA Proposal comments

Comments of Orange County, Sonoma County, NEO Corporation
[Editor note: the City of Sacramento is not commenting]

We oppose including hydroelectric resources because they are proven renewable technology with a century of experience. Even though this program gives hydro REC's without trading value, it takes REC's out of circulation without stimulating new projects. Also, we oppose this proposal because it continues to subsidize existing facilities. Competition should be market driven through an unencumbered bid process. The idea of having REC trading connected with WEPEX is an interesting concept that should be considered.

Comments of the Union of Concerned Scientists

Oppose.
Good points: Exclusion of hydro avoids subsidization of a mature, fully commercialized technology and problems with annual variability.
Bad points: Low 2 cent/kWh non-compliance charge, encourages non-compliance, turning competitive program into administrative program by creating non-compliance fund. Classification of non-compliance charge as business expense instead of a penalty allows for tax write-off, further decreases compliance incentive. Does not support renewables growth since MRPR does not increase. Does not adequately address issue that green marketers could double-dip by collecting RECs and charging more for energy. Will terminate in 2000 if not backed up by legislation.

Comments of Los Angeles Department of Water and Power (LADWP)

DWP favors the continued support of renewable resources, however, it should be made clear to reviewers of this report that SMUDis proposal does not represent the position of all municipal utilities. The level and diversity of Californiais renewable resource mix should be established by the state legislature and the above-market cost for supporting renewable generation should be uniform throughout the state. The procurement of renewable resources should be the responsibility of some state entity for the state power pool and the cost of compliance should be borne by all customers served by the UDC on a non-bypassable basis.

Commnets of CALSEIA/SEIA/CEC/ETDD

[126 Words]

OPPOSE
Hydro Variability Creates Unstable Market: California hydro generation may average 10% but annual variability ranges from 5-15% of total consumption. Inclusion of hydro creates requirement that no utility can meet in a dry year, since it means at lest 50% short-term increase in non-hydro RECs to cover hydro shortfall. Problem is that REC providers cannot increase supply this quickly, nor for just a short period. To build new renewables requires long-terrn, stable markets for RECs. Proposed state administered fund would be essential to cover dry year shortfall, but price of payments is undear and use of funds is unspecified.
Diversity and Emerging Technologies: Low credit prices and substantial inter-year price variability due to hydro make developing and financing any new renewable generation, especially emerging technologies, unlikely.

Comments of the California Integrated Waste Management Board

Oppose: The primary objection to the SMUD proposal is the inclusion of hydro as a eligible renewable resource. As with the NCPA proposal, the inclusion of hydro could force the more classic renewable technologies out of the marketplace.

SMUD mitigates some of the impact of hydro by not allowing the trading of credits that would be based on hydroelectric power.

SMUD has not addressed the issues of enforcement and compliance.

Comments of Don Augenstein

The SMUD proposal presents its strategy with less detail than other proposals. It appears by and large reasonable. As with NCPA, it does not address how the serious questions associated with inclusion of hydro will be resolved.

Comments of SoCAL Gas
[113 Words]

This minimum renewables purchase requirement proposal stresses local control of the amount, type, and timing of renewable resources. Including hydro (adjusted to an average water year) as a renewable resource raises the target percent of kWh from renewables to 21%. Including hydro leads to complications. Hydro swings can be quite large and unpredictable, leading to large purchases of renewable credits in dry years. Excluding existing hydro from the renewables credit market is discriminatory. Since hydro represents a large portion of renewable energy, utilities with access to hydro will have a large advantage over utilities that do not have the same access. No mention is made of the cost or length of the program.

Comments of Southern California Edison

This proposal has some positive aspects. It does not have a costly technology band for biomass and it applies statewide to all retail providers, including public utilities.

Inclusion of hydro is problematic. While hydro generation does not contribute to air emissions, there are other environmental impacts to be addressed. Because hydro credits are not tradeable, the high standard of 21% will be expensive, if not impossible, to meet for many retail providers. Finally, including hydro increases complexity associated with the treatment of wet and dry year variations and out-of-state resources.

Comments of SDG&E

Oppose:

* No cost limitation. Potential cost to SDG&E's ratepayers exceeds $67 million assuming a 2¢/kWh REC cost.
* Unequal cost burden on consurners.
* Primarily subsidizes already-subsidized existing projects instead of new development.
* Envisions Power Exchange as facilitator of tradable renewable credits, creating more operational complexities for the Exchange.
* If the Power Exchange is the administrator, both legislation and FERC approval would be required, further complicating and slowing implementation.
* Administratively burdensome and complex